

FRANKLIN COUNTY TREASURER

INVESTMENT AND DEPOSITORY POLICY

PURPOSE

I. The purpose of this Policy is to set forth the investment and operational policies for the management of all monies under the control of the Franklin County Treasurer. In addition to the policies detailed below, Chapter 135 of the Ohio Revised Code will be adhered to at all times. These policies have been adopted by, and can be changed only by, a majority vote of the Investment Advisory Committee.

These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with those of comparable funds and financial market indexes.

A copy of this Policy will be provided to all securities dealers and investment bankers doing business with the Franklin County Treasurer, and will also be provided to other interested parties upon request. Receipt of this Policy, including confirmation that persons dealing directly with the Franklin County Treasurer's account have reviewed and signed it, will be received prior to any organization providing investment services to the Franklin County Treasurer.

INVESTMENT PHILOSOPHY

II. Except where specifically directed by the Ohio Revised Code, the general investment policies of the Franklin County Treasurer will be guided by the "prudent person" rule. Those with investment responsibility for public funds are fiduciaries and, as such, shall exercise the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

OBJECTIVES

III. The following objectives will apply to the management of the Franklin County Treasurer's funds:

A. The primary investment objectives of this Policy are preservation of principal (safety) and liquidity; income (yield) is a secondary objective. To attain the objective of safety, diversification is required in order that potential losses on individual securities, whether by default or erosion of market value does not exceed the income generated from the remainder of the portfolio. The governing body, however, recognizes that in a diversified portfolio occasional measured losses are inevitable, and must be considered within the context of the overall portfolio's investment return. The portfolio will also remain sufficiently liquid to enable the Treasurer to meet reasonable anticipated operational requirements.

B. The portfolio will be managed in such a way as to exceed or at least equal the market average rate of return over the course of budgetary and

economic cycles, taking into account state law (which restricts the type of investments), safety considerations and cash flow requirements. Some principal volatility is tolerated, but enough of the portfolio will be invested in nonvolatile, liquid investments to ensure payment of operational or special project expenditures when due. Moderate-income volatility is permitted. Financial risk is unacceptable, and because the investment time horizon of the portfolio is relatively short, exposure to interest rate risk and purchasing power risk will be minimal.

- C. Bank account relationships will be managed in order to secure adequate services while minimizing costs.
- D. All of the Franklin County Treasurer's deposits will be concentrated in one account except where audit control considerations dictate otherwise.

PERSONAL CONDUCT

IV. The Investment Advisory Committee for Franklin County is acutely aware of the responsibilities that the staff has in administering the investment assets of the Franklin County Treasurer. Therefore, the integrity of the staff and all others involved in making investment decisions must be unquestioned.

Members of the Investment Advisory Committee, the Treasurer and the Investment staff may not have direct or indirect interest in the gains or profits of any investment made by the Franklin County Treasury and may not receive any pay or emolument for services other than as designated compensation and authorized expenses.

All persons responsible for investment decisions or who are involved in the management of the Franklin County Treasurer's assets shall be governed in their personal investment activity by the codes of conduct established by the applicable state statutes, the National Association of Securities Dealers, and the Securities and Exchange Commission, and the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research.

STATUTORY AUTHORITY

V. In accordance with Section 135.31(c) of the Ohio Revised Code, the investing authority resides with the Franklin County Treasurer. Such authority shall allow for the explicit delegation of authority to persons responsible for investment transactions.

EXECUTIONS

VI. The responsibility for the execution of security transactions shall rest with such qualified members of the investment staff as designated by the Treasurer. The selection of the broker/dealer for a specific transaction shall be on a best execution, although every effort shall be made to obtain appropriate discounts on individual orders. Security orders shall be placed on the basis of accepted investment practices. All Investment Transactions shall be transacted on a Delivery Versus Payment (DVP) basis (per ORC§135.35(J)2).

The conditions under which a security may be sold prior to maturity include: Meeting additional liquidity needs, to purchase another security to increase yield or gain current income, to purchase another security to lengthen or shorten maturity or duration, to realize capital gains and income, or to increase the portfolio quality.

Receipts for the confirmation of trades of authorized securities will include information on trade date, par value, maturity, interest rate, price, yield, settlement date, description of securities purchased, broker/dealer name, amount due, CUSIP, and third party custodial information. Confirmations will be received within three business days after the trade.

Certificates of Deposits shall be transacted only through commercial banks or savings and loans with either FDIC or FSLIC coverage with which the Franklin County Treasurer has a Depository Agreement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

VII. The Investment Advisory Committee upon the recommendation of the Chief Investment Officer shall approve investment firms with whom orders are executed.

A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- * Audited Financial statements
- * Proof of National Association of Securities Dealers (NASD) certification
- * Proof of state registration
- * Certification of having read and understood and agreeing to comply with the Franklin County Treasurer's investment policy

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the Chief Investment Officer.

AUTHORIZED INVESTMENTS

VIII. The investing authority may invest on behalf of and in the name of the Franklin County Treasurer in those securities as defined in the Ohio Revised Code, Section 135.35 at a price not exceeding their fair market value. The investing authority may further enter into Securities Lending Agreements
(Please see ORC §135.35).

PROHIBITED INVESTMENTS

IX. The following investments and investment practices are prohibited:

- A. Purchases on margin or short sale
- B. Investments in derivative securities that are, in effect, a leveraged speculation on future movements of interest rates or some price index;

specifically IO's and PO's. Collateralized mortgage obligations, because of their complexity and prepayment rate uncertainty.

- C. Investments in reverse repurchase agreements and the leveraging of security positions.

MATURITY

X. Market conditions and cash flow requirements are considered in determining the term of an investment. Provided cash flow requirements have been satisfied, maturity length will be determined by market conditions and interest rate forecasts, with the goal being to buy where relative value exists along the maturity spectrum not to exceed five years from the settlement date. Securities may be liquidated prior to maturity when found to be in the best interest of the County and to be determined by the Chief Investment Officer.

DIVERSIFICATION

XI. The Franklin County Treasurer's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type or securities of one financial institution, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. This restriction does not apply to U. S. Treasury securities.

<u>Securities</u>	<u>Maximum % Allowed</u>
a. Commercial Paper and/or Banker's Acceptance	25%
b. Corporate Notes	15%
c. Federal Agency (Callable)	75%
d. Federal Agency (Fixed rate)	100%
e. Federal Agency (Variable Rate)	10%
f. Foreign Govt. Debt	1% (of total avg.)
g. No-load money market mutual funds	50%
h. Municipal Bonds	5%
i. Repurchase Agreements	25%
j. STAR Ohio	100%
k. U.S. Treasury	100%
l. U.S. Treasury STRIPS	10%
m. U.S. Treasury TIPS	10%

CORPORATE BONDS

XII. All bonds shall be purchased only from a list approved by the Chief Investment Officer, of only AAA rated issuers. The Chief Investment officer shall monitor the issuers by performing a full credit analysis once quarterly, monitoring for ratings changes, and providing an update to the Investment Advisory Committee during each quarterly meeting. If an issuer is downgraded between IAC meetings, the Chief Investment Officer shall notify all IAC members, and may request a special IAC meeting

to determine by IAC member vote whether sale of, or holding of the bond to maturity is the appropriate action.

COLLATERAL

XIII. All deposits shall be collateralized pursuant to the Ohio Revised Code, Section 135.37.

REPORTING

XIV. The Chief Investment Officer shall submit monthly investment reports to the Treasurer and the members of the Investment Advisory Committee. The report shall describe the portfolio in terms of security type, maturity and other features. The report shall also explain the month's investment return.

INVESTMENT ADVISORY COMMITTEE

XV. Chapter 135.341 of the Ohio Revised Code will be adhered to at all times. There shall be an Investment Advisory Committee consisting of three members: two County Commissioners to be designated by the Board of County Commissioners, and the County Treasurer.

Notwithstanding the preceding sentence, the Board of Commissioners may declare that all three County Commissioners shall serve on the Investment Advisory Committee. If the Board so declares, the Investment Advisory Committee shall consist of five members: the three Commissioners, the County Treasurer, and the Clerk of the Court of Common Pleas of the County.

The Franklin County Board of Commissioners declare that the Investment Advisory Committee shall consist of five members.

The Chief Investment Officer shall always be present at the Investment Advisory Committee meetings.

The Committee shall meet at least quarterly. In addition to quarterly meetings, the Committee may meet at other times, either in person or by telephone, as requested by the Chief Investment Officer or any of its' members.

FRANKLIN COUNTY TREASURER

INVESTMENT POLICY

Approved This 18th Day Of March 2005.

BY: Richard Cordray
Richard Cordray
Franklin County Treasurer

BY: Mary Jo Kilroy by George Spodis
Mary Jo Kilroy
Franklin County Commissioner

BY: _____
Paula Brooks
Franklin County Commissioner

BY: Dewey R. Stokes
Dewey R. Stokes
Franklin County Commissioner

BY: John B. O'Grady
John B. O'Grady
Franklin County Clerk of Common Pleas Courts

I have read, understand and agree to adhere to these policies.

NAME _____

TITLE _____

FIRM _____

DATE _____

ORC § 135.35 as in effect June 2004

§ 135.35. Eligible deposits or investments for county inactive moneys.

(A) The investing authority shall deposit or invest any part or all of the county's inactive moneys and shall invest all of the money in the county library and local government support fund when required by section 135.352 [135.35.2] of the Revised Code. The following classifications of securities and obligations are eligible for such deposit or investment:

(1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury, any other obligation guaranteed as to principal or interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States.

Nothing in the classification of eligible securities and obligations set forth in divisions (A)(2) to (11) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible securities and obligations.

(2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

(3) Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts, in any eligible institution mentioned in section 135.32 of the Revised Code;

(4) Bonds and other obligations of this state or the political subdivisions of this state, provided that such political subdivisions are located wholly or partly within the same county as the investing authority;

(5) No-load money market mutual funds consisting exclusively of obligations described in division (A)(1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.32 of the Revised Code;

(6) The Ohio subdivision's fund as provided in section 135.45 of the Revised Code;

(7) Securities lending agreements with any eligible institution mentioned in section 135.32 of the Revised Code that is a member of the federal reserve system or federal home loan bank or with any recognized United States government securities dealer meeting the description in division (J)(1) of this section, under the terms of which agreements the investing authority lends securities and the eligible institution or dealer agrees to simultaneously exchange similar securities or cash, equal value for equal value.

Securities and cash received as collateral for a securities lending agreement are not inactive moneys of the county or moneys of a county library and local government support fund. The investment of cash collateral received pursuant to a securities lending agreement may be invested only in instruments specified by the investing authority in the written investment policy described in division (K) of this section.

(8) Up to twenty-five per cent of the county's total average portfolio in either of the following investments:

(a) Commercial paper notes issued by an entity that is defined in division (D) of section 1705.01 of the Revised Code and that has assets exceeding five hundred million dollars, to which notes all of the following apply:

(i) The notes are rated at the time of purchase in the highest classification established by at least two nationally recognized standard rating services.

(ii) The aggregate value of the notes does not exceed ten per cent of the aggregate value of the outstanding commercial paper of the issuing corporation.

(iii) The notes mature not later than two hundred seventy days after purchase.

(b) Bankers acceptances of banks that are insured by the federal deposit insurance corporation and to which both of the following apply:

(i) The obligations are eligible for purchase by the federal reserve system.

(ii) The obligations mature not later than one hundred eighty days after purchase.

No investment shall be made pursuant to division (A)(8) of this section unless the investing authority has completed additional training for making the investments authorized by division (A)(8) of this section. The type and amount of additional training shall be approved by the auditor of state and may be conducted by or provided under the supervision of the auditor of state.

(9) Up to fifteen per cent of the county's total average portfolio in notes issued by corporations that are incorporated under the laws of the United States and that are operating within the United States, or by depository institutions that are doing business under authority granted by the United States or any state and that are operating within the United States, provided both of the following apply:

(a) The notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase.

(b) The notes mature not later than two years after purchase.

(10) No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and consisting exclusively of obligations described in division (A)(1), (2), or (6) of section 135.143 [135.14.3] of the Revised Code;

(11) Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds. The investments made under division (A)(11) of this section shall not exceed in the aggregate one per cent of a county's total average portfolio.

The investing authority shall invest under division (A)(11) of this section in a debt interest issued by a foreign nation only if the debt interest is backed by the full faith and credit of that foreign nation, there is no prior history of default, and the debt interest matures not later than five years after purchase. For purposes of division (A)(11) of this section, a debt interest is rated in the three highest categories by two nationally recognized standard rating services if either the debt interest itself or the issuer of the debt interest is rated, or is implicitly rated, at the time of purchase in the three highest categories by two nationally recognized standard rating services.

(B) Nothing in the classifications of eligible obligations and securities set forth in divisions (A)(1) to (11) of this section shall be construed to authorize investment in a derivative, and no investing authority shall invest any county inactive moneys or any moneys in a county library and local government support fund in a derivative. For purposes of this division, "derivative" means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself. Any security, obligation, trust account, or other instrument that is created from an

issue of the United States treasury or is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument. An eligible investment described in this section with a variable interest rate payment, based upon a single interest payment or single index comprised of other eligible investments provided for in division (A)(1) or (2) of this section, is not a derivative, provided that such variable rate investment has a maximum maturity of two years. A treasury inflation-protected security shall not be considered a derivative, provided the security matures not later than five years after purchase.

(C) Except as provided in division (D) of this section, any investment made pursuant to this section must mature within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the county or to a specific obligation or debt of a political subdivision of this state located wholly or partly within the county, and the investment is specifically approved by the investment advisory committee.

(D) The investing authority may also enter into a written repurchase agreement with any eligible institution mentioned in section 135.32 of the Revised Code or any eligible securities dealer pursuant to division (J) of this section, under the terms of which agreement the investing authority purchases and the eligible institution or dealer agrees unconditionally to repurchase any of the securities listed in divisions (B)(1) to (5), except letters of credit described in division (B)(2), of section 135.18 of the Revised Code. The market value of securities subject to an overnight written repurchase agreement must exceed the principal value of the overnight written repurchase agreement by at least two per cent. A written repurchase agreement must exceed the principal value of the overnight written repurchase agreement, by at least two per cent. A written repurchase agreement shall not exceed thirty days, and the market value of securities subject to a written repurchase agreement must exceed the principal value of the written repurchase agreement by at least two per cent and be marked to market daily. All securities purchased pursuant to this division shall be delivered into the custody of the investing authority or the qualified custodian of the investing authority or an agent designated by the investing authority. A written repurchase agreement with an eligible securities dealer shall be transacted on a delivery versus payment basis. The agreement shall contain the requirement that for each transaction pursuant to the agreement the participating institution shall provide all of the following information:

- (1) The par value of the securities;
- (2) The type, rate, and maturity date of the securities;
- (3) A numerical identifier generally accepted in the securities industry that designates the securities.

No investing authority shall enter into a written repurchase agreement under the terms of which the investing authority agrees to sell securities owned by the county to a purchaser and agrees with that purchaser to unconditionally repurchase those securities.

(E) No investing authority shall make an investment under this section, unless the investing authority, at the time of making the investment, reasonably expects that the investment can be held until its maturity. The investing authority's written investment policy shall specify the conditions under which an investment may be redeemed or sold prior to maturity.

(F) No investing authority shall pay a county's inactive moneys or moneys of a county library and local government support fund into a fund established by another subdivision, treasurer, governing board, or investing authority, if that fund was established by the subdivision, treasurer, governing board, or investing

authority for the purpose of investing or depositing the public moneys of other subdivisions. This division does not apply to the payment of public moneys into either of the following:

- (1) The Ohio subdivision's fund pursuant to division (A)(6) of this section;
- (2) A fund created solely for the purpose of acquiring, constructing, owning, leasing, or operating municipal utilities pursuant to the authority provided under section 715.02 of the Revised Code or Section 4 of Article XVIII, Ohio Constitution.

For purposes of division (F) of this section, "subdivision" includes a county.

(G) The use of leverage, in which the county uses its current investment assets as collateral for the purpose of purchasing other assets, is prohibited. The issuance of taxable notes for the purpose of arbitrage is prohibited. Contracting to sell securities not owned by the county, for the purpose of purchasing such securities on the speculation that bond prices will decline, is prohibited.

(H) Any securities, certificates of deposit, deposit accounts, or any other documents evidencing deposits or investments made under authority of this section shall be issued in the name of the county with the county treasurer or investing authority as the designated payee. If any such deposits or investments are registrable either as to principal or interest, or both, they shall be registered in the name of the treasurer.

(I) The investing authority shall be responsible for the safekeeping of all documents evidencing a deposit or investment acquired under this section, including, but not limited to, safekeeping receipts evidencing securities deposited with a qualified trustee, as provided in section 135.37 of the Revised Code, and documents confirming the purchase of securities under any repurchase agreement under this section shall be deposited with a qualified trustee, provided, however, that the qualified trustee shall be required to report to the investing authority, auditor of state, or an authorized outside auditor at any time upon request as to the identity, market value, and location of the document evidencing each security, and that if the participating institution is a designated depository of the county for the current period of designation, the securities that are the subject of the repurchase agreement may be delivered to the treasurer or held in trust by the participating institution on behalf of the investing authority.

Upon the expiration of the term of office of an investing authority or in the event of a vacancy in the office for any reason, the officer or the officer's legal representative shall transfer and deliver to the officer's successor all documents mentioned in this division for which the officer has been responsible for safekeeping. For all such documents transferred and delivered, the officer shall be credited with, and the officer's successor shall be charged with, the amount of moneys evidenced by such documents.

(J) (1) All investments, except for investments in securities described in divisions (A)(5) and (6) of this section, shall be made only through a member of the national association of securities dealers, through a bank, savings bank, or savings and loan association regulated by the superintendent of financial institutions, or through an institution regulated by the comptroller of the currency, federal deposit insurance corporation, or board of governors of the federal reserve system.

(2) Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

(K) (1) Except as otherwise provided in division (K)(2) of this section, no investing authority shall make an investment or deposit under this section, unless there is on

file with the auditor of state a written investment policy approved by the investing authority. The policy shall require that all entities conducting investment business with the investing authority shall sign the investment policy of that investing authority. All brokers, dealers, and financial institutions, described in division (J)(1) of this section, initiating transactions with the investing authority by giving advice or making investment recommendations shall sign the investing authority's investment policy thereby acknowledging their agreement to abide by the policy's contents. All brokers, dealers, and financial institutions, described in division (J)(1) of this section, executing transactions initiated by the investing authority, having read the policy's contents, shall sign the investment policy thereby acknowledging their comprehension and receipt.

(2) If a written investment policy described in division (K)(1) of this section is not filed on behalf of the county with the auditor of state, the investing authority of that county shall invest the county's inactive moneys and moneys of the county library and local government support fund only in time certificates of deposits or savings or deposit accounts pursuant to division (A)(3) of this section, no-load money market mutual funds pursuant to division (A)(5) of this section, or the Ohio subdivision's fund pursuant to division (A)(6) of this section.

(L) (1) The investing authority shall establish and maintain an inventory of all obligations and securities acquired by the investing authority pursuant to this section. The inventory shall include a description of each obligation or security, including type, cost, par value, maturity date, settlement date, and any coupon rate.

(2) The investing authority shall also keep a complete record of all purchases and sales of the obligations and securities made pursuant to this section.

(3) The investing authority shall maintain a monthly portfolio report and issue a copy of the monthly portfolio report describing such investments to the county investment advisory committee, detailing the current inventory of all obligations and securities, all transactions during the month that affected the inventory, any income received from the obligations and securities, and any investment expenses paid, and stating the names of any persons effecting transactions on behalf of the investing authority.

(4) The monthly portfolio report shall be a public record and available for inspection under section 149.43 of the Revised Code. (5) The inventory and the monthly portfolio report shall be filed with the board of county commissioners.

(M) An investing authority may enter into a written investment or deposit agreement that includes a provision under which the parties agree to submit to nonbinding arbitration to settle any controversy that may arise out of the agreement, including any controversy pertaining to losses of public moneys resulting from investment or deposit. The arbitration provision shall be set forth entirely in the agreement, and the agreement shall include a conspicuous notice to the parties that any party to the arbitration may apply to the court of common pleas of the county in which the arbitration was held for an order to vacate, modify, or correct the award. Any such party may also apply to the court for an order to change venue to a court of common pleas located more than one hundred miles from the county in which the investing authority is located.

For purposes of this division, "investment or deposit agreement" means any agreement between an investing authority and a person, under which agreement the person agrees to invest, deposit, or otherwise manage, on behalf of the investing authority, a county's inactive moneys or moneys in a county library and local government support fund, or agrees to provide investment advice to the investing authority.

(N) An investment held in the county portfolio on September 27, 1996, that was a legal investment under the law as it existed before September 27, 1996, may be held until maturity, or if the investment does not have a maturity date the investment may be held until five years from September 27, 1996, regardless of whether the investment would qualify as a legal investment under the terms of this section as amended.

HISTORY: 139 v H 230 (Eff 3-15-82); 141 v H 146 (Eff 9-11-85); 141 v S 317 (Eff 3-17-87); 142 v S 149 (Eff 7-14-87); 145 v S 12 (Eff 10-7-93); 145 v H 300 (Eff 7-1-94); 146 v S 162 (Eff 10-29-95); 146 v S 81 (Eff 9-27-96); 148 v S 82 (Eff 4-24-2000); 148 v H 473. Eff 6-15-2000; 150 v S 82, § 1, eff. 2-12-04; 150 v H 168, § 1, eff. 6-15-04.